

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 93-737-W/S - ORDER NO. 97-114

FEBRUARY 21, 1997

IN RE: Application of Heater of Seabrook, Inc.) ORDER
for Approval of a New Schedule of Rates) ON
and Charges for Water and Sewer Service.) REMAND

This matter comes before the Public Service Commission of South Carolina (the Commission) on remand from the South Carolina Supreme Court. In our Order Nos. 94-644 and 94-806, we had held that availability fees collected and available for use by Heater of Seabrook, Inc. (Heater, the utility, or the Company), some \$66,480, should be counted as revenue to the utility. The Honorable Thomas L. Hughston, Jr. of the Circuit Court affirmed that holding by Order on July 31, 1995. However, by opinion issued August 12, 1996, the South Carolina Supreme Court, per Justice Toal, reversed that Circuit Court Order (thereby reversing the Commission Orders), and remanded the matter to the Commission for further proceedings in accordance with the opinion. That Court held, inter alia, that there was no substantial evidence to support a deviation from the Commission's prior policy of treating availability fees as contributions in aid of construction. This matter now comes before us for further proceedings. As shall be seen, as per the Supreme Court's Order, we have now removed the \$66,480 from revenues, and have considered that amount as

contributions in aid of construction.

Pursuant to Commission Order No. 95-9, we found that the utility had posted a sufficient surety to put its original requested rates into effect under bond, subject to S.C. Code Ann. Section 58-5-240 (Supp. 1996), which allowed the utility the full amount of its increase under bond, pending the Court appeal. Meanwhile, the Company sold the utility to the Town of Seabrook Island. See Order No. 96-254, issued April 10, 1996, approving the sale. At some time after the sale, Heater of Seabrook, Inc. ceased collecting the rates under bond. Subsequently, the South Carolina Supreme Court remanded this matter back to us for further proceedings in accordance with its holdings.

We have re-examined the evidence in light of the Supreme Court's admonitions, and we still do not believe that the Company justified its need for a rate increase. Despite Company witness William Grantmyre's testimony, a comparison of the test year in this case and those of the last rate cases (See Order No. 92-1028 in Docket No. 91-627-W/S and Order No. 93-1124 in Docket No. 93-408-W/S) reveals minimal increases in expenses. In our original Order in this case, we found that the Company's 8.60% operating margin, which was being earned by the Company at the time, should be continued. After examining and comparing test years for this case and prior cases, we are not convinced that this should change, and thereby approve the continuation of the 8.60% operating margin.

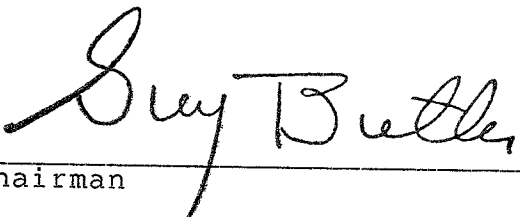
Further, we are still convinced that the operating margin methodology is the appropriate methodology for use in this case, as we have employed it with other water and sewer companies similarly situated.

Accordingly, and in concert with the South Carolina Supreme Court's opinion, we hereby grant \$66,480 in additional annual rate revenue to replace the availability fees that we formerly counted as regulated revenue. These additional revenues are accomplished pursuant to the increase in water rates which we hereby grant as shown in Appendix A, attached to this Order, and incorporated as fully herein as copied herein verbatim.

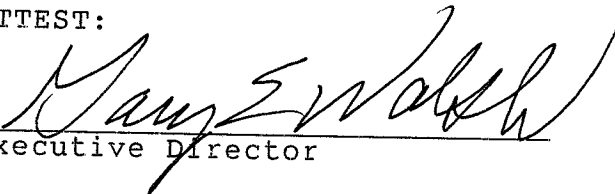
As stated, however, the utility no longer belongs to Heater of Seabrook, Inc., but now resides with the Town of Seabrook Island. Heater of Seabrook, Inc. collected considerable revenues under bond prior to the sale, however; much more than the additional revenues authorized above. In accordance with our holding above, therefore, we hereby grant a refund to the former Heater of Seabrook ratepayers in the amount of \$268,650 principal, along with \$40,089 in interest, for a total refund of \$308,739. This amounts to an estimated refund of \$72.02 per residential equivalent unit (REU) of the Company. We believe that this appropriately compensates the old Heater of Seabrook customers for funds collected from them under bond.

This Order shall remain in full force and effect until
further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Deputy Executive Director

(SEAL)

APPENDIX A

HEATER OF SEABROOK, INC.
P.O. Drawer 4889
Cary, N.C. 27519
1-800-537-4865

FILED PURSUANT TO DOCKET NO. 93-737-W/S - ORDER NO. 97-114
EFFECTIVE DATE: FEBRUARY 21, 1997

SCHEDULE OF RATES AND CHARGES:

WATER

1. MONTHLY CHARGE -

A. Base Facility Charge for Zero Consumption -

<u>Meter Size</u>	<u>Base Monthly Charge</u>
<1.0"	\$ 11.40
1.0"	\$ 43.42
1.5"	\$ 86.84
2.0"	\$130.26
3.0"	\$260.52
4.0"	\$488.48
6.0"	\$814.13

B. Commodity Charge - \$2.79 per 1,000 gallons

When, because of the method of water line installation utilized by the developer or owner, it is impractical to meter each unit separately, service will be provided through a single meter and consumption of all units served through such meter will be averaged; a bill will be calculated based on that average plus the addition of the basic facility charge of \$10.50 per unit and the result multiplied by the number of units served by a single meter.

2. GOLF COURSE IRRIGATION -

Golf course irrigation using untreated deep-well water subject to availability - \$.35 per 1,000 gallons.

3. FIRE HYDRANT -

One hundred dollars (\$100.00) per hydrant per year for water service payable in advance. Any water used should be metered and the commodity charge in section one (1) above will apply to such usage.

4. NON RECURRING CHARGES -

- A. Water service connection per
single-family equivalent * \$200.00
- B. Plant impact fee per single-
family equivalent \$300.00
- C. The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating is less than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for and/or initial connection to the water system is requested.

* Unless prohibited by contract approved by the South Carolina Public Service Commission.

5. RECONNECTIONS AND CONNECTIONS -

- A. Water reconnection fee \$ 40.00

Customers who ask to be reconnected within nine months of disconnection will be charged the monthly base facility charge for the service period they were disconnected.
- B. Customer account charge \$ 25.00

One time fee to be charged to each new account to defray cost of initiating service.

6. BILLING CYCLE -

All meters will be read and bills rendered on monthly basis in arrears, unless otherwise provided.

SEWER

1. MONTHLY CHARGES -

A. Residential - monthly charge per single family house, condominium, villa or apartment unit \$ 25.00

B. Commercial - monthly charge based upon meter size:

<u>Meter Size</u>	<u>Base Monthly Charge</u>
<1.0"	\$ 25.00
1.0"	\$ 60.00
1.5"	\$ 120.00
2.0"	\$ 280.00
3.0"	\$ 500.00
4.0"	\$ 750.00
6.0"	\$1000.00

Commercial customers are those not included in the residential category above and include but not limited to hotels, stores, restaurants, offices, etc.

2. NONRECURRING CHARGES -

A. Sewer service connection charge per single-family equivalent * \$200.00

B. Plant impact fee per single-family equivalent \$300.00

C. The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating is less than one. If the equivalency is greater than one(1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for and/or initial connection to the sewer system is requested.

* Except as otherwise prohibited by contract approved by the South Carolina Public Service Commission.

3. NOTIFICATION, CONNECTION AND RECONNECTION CHARGES -

- A. Notification Fee: A fee of \$8.00 shall be charged each customer to whom the Company mails the notice as required by Commission Rule R. 103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating that cost.
- B. Customer Account Charge: One-time fee charged to each new account to defray costs of initiating service: \$17.25. If customer also receives water service, this charge will be waived.
- C. Reconnection Charge: \$250.00 pursuant to Commission Rule R. 103-532.4. Customers who ask to be reconnected within nine months of disconnections will be charged the monthly base charge for the service period they were disconnected.

4. BILLING CYCLE -

Bills will be rendered monthly in arrears.

GENERAL PROVISIONS FOR BOTH WATER AND SEWER

1. SINGLE FAMILY EQUIVALENT UNIT FOR CALCULATION OF NONRECURRING CHARGES -

- A. Water - A single-family equivalent unit is based upon a standard meter size of 5/8 inches and flows therefor.

Larger meter sizes increase the equivalency rating as follows:

<u>Meter Size</u>	<u>Ratio Equivalent</u>
5/8"	1.0
3/4"	1.0
1"	2.5
1 1/2"	5.0
2"	8.0
3"	16.0
4"	25.0

These equivalency ratings are to be used in calculating the water service connection and plant impact fee charges.

- B. Sewer - A single-family equivalent unit is based upon a publication of South Carolina Pollution Control Authority entitled "Guideline for Unit Contributory Loading to Wastewater Treatment Facilities" ("Guidelines") wherein suggested design of wastewater treatment plants are based upon the design assumption that a single-family unit will discharge 400 gallons of wastewater per day into the sewer collection facilities. These Guidelines will be used to calculate the single-family equivalency rating regardless of whether or not actual flows may be less. In this rate schedule the Guidelines are being used solely for determination of the sewer service connection and plant impact fee charges, not design purposes.